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To: Toronto Public Library Board – September 18, 2006

From: City Librarian

Subject: **Purchase of Electricity**

Purpose:

To request Toronto Public Library Board approval to enter into an agreement with the City of Toronto to authorize the City to enroll Toronto Public Library's electricity accounts with an energy retailer for the supply of electricity, as required by the City and its Agencies, Boards and Commissions.

Funding Implications and Impact Statement:

Toronto Public Library's 2006 budget for electrical power usage is \$3.1 million. The City has proposed a 2007 budget guideline increase of 12.5 per cent for the cost of electricity. All costs will be borne within the Toronto Public Library's operating budget.

Recommendation:

It is recommended that the Toronto Public Library Board authorize appropriate City of Toronto staff to enroll Toronto Public Library's electricity accounts with an energy retailer and hedge the cost of power requirements for a three-year term, commencing January 1, 2007.

Background:

Since May 2002, Toronto Public Library's electricity use/accounts have been included in the City's Power Purchase Agreement (PPA) with Toronto Hydro Energy Services Inc. (THESI), and appropriate City staff have been administering that contract on the Library's behalf. The PPA will be expiring on December 31, 2006, and the City is developing a new strategy/arrangement to manage electricity costs for its facilities and operations. The new price arrangement will cover a three-year period starting January 1, 2007. The City has requested the Library (and all Agencies, Boards and Commissions) be included in the City's future arrangements regarding electrical supply.

Comments:

The City's electricity consultant, Aegent Energy Advisors Inc., has recommended a price hedging strategy similar to the City's Natural Gas Program based on a pool of electricity price risk counterparties. City staff recommended this approach to City Council in June 2006.

This strategy will entail the City entering into master financial transaction agreements in the standard form published by the International Swap Dealers Association (ISDA) with a pool of six counterparties that will include THESI. Thereafter, from time-to-time, the City will enter into priced-hedging arrangements for one or more of these counterparties to fix the price of electricity for some or all of the Library's requirements and that of other City participants for various fixed periods of time, commencing January 1, 2007 for up to three years.

City staff will also be recommending that Council adopt a statement of policies and goals relating to the use of financial agreements to address commodity pricing and costs.

The City requested Toronto Public Library to respond by June 30, 2006. Library staff have responded informally that the Library wishes to participate, but formal confirmation of approval will require Board approval.

Conclusion:

The Library Board has benefited from the City of Toronto's greater purchasing power and resulting ability to negotiate more favourable terms for the Library's electricity requirements. It is recommended that the Library continue to participate in the City's arrangement to manage electricity costs.

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Josephine Bryant
City Librarian

List of Attachments:

- Attachment 1: Report on *City Electricity Purchase Strategy – Green Power* submitted to Policy and Finance Committee from Deputy City Manager and Chief Financial Officer dated June 29, 2006.
- Attachment 2: Report on *City Electricity Purchase and Results for Expressions of Interest (REOI) 9119-06-7107* - consolidated clause in Policy and Finance Committee Report 5, which was considered by City Council on June 27, 28 and 29, 2006.